



# UMSHWATHI MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS

### FOR THE YEAR ENDED

30 JUNE 2014

In terms of section 126 (1) of the Municipal Finance Management Act, I am responsible for the annual financial statements, which are set out on pages 1 to 33, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in notes 16 and 17 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Governments determination in accordance with this Act.

B.T. Zondi  
Acting Municipal Manager

29 August 2014  
Date

<b>INDEX</b>	
General Information	01
Accounting Policies	03
Statement of Financial Position	17
Statement Of Financial Performance	18
Statement of Changes in Net Assets	19
Cash Flow Statement	20
Notes to the Annual Financial Statements	21
Appendix A: Schedule of External Loans	36
Appendix B: Analysis of Property, Plant and Equipment	37
Appendix C: Segmental Analysis of Property, Plant and Equipment	38
Appendix D: Segmental Statement Of Financial Performance	39
Appendix E (1): Actual versus Budget (Revenue and Expenditure)	40
Appendix E(2) Actual versus Budget (acquisition of Property, Plant and Equipment)	41
Appendix F: Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	42

**GENERAL INFORMATION**

**SPEAKER OF COUNCIL**

: Cllr. N.M.N. Gabela

**MEMBERS OF THE EXECUTIVE COMMITTEE**

Councillor	B.M. Gwala	:	Mayor, Exco. Chairperson
Councillor	S.S. Zondi	:	Deputy Mayor
Councillor	M.J. Mkhize	:	Exco Member
Councillor	A.T. Thusi	:	Exco Member
Councillor	V.M. Mncwabe	:	Exco Member

**CATEGORY OF LOCAL AUTHORITY**

CATEGORY TWO (2)

**AUDITORS**

AUDITOR-GENERAL SOUTH AFRICA

**BANKERS**

FIRST NATIONAL BANK

**REGISTERED OFFICE**

**TELEPHONE**

Main Road  
New Hanover  
3230

**ACTING MUNICIPAL MANAGER**

Mr. B.T. Zondi

**CHIEF FINANCIAL OFFICER**

Mr. R.M. Mani

# MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

PR	Cllr. N.M.N. Gabela	:
PR	Cllr. S.J. Luthuli	:
PR	Cllr. R. Mungroo	:
PR	Cllr. N.R. Khanyile	:
PR	Cllr. N.A. Thusi	:
PR	Cllr. N.P. Mdunge	:
PR	Cllr. T.A. Hlatswayo	:
PR	Cllr. M.M. de Vries	:
PR	Cllr. V.M. Mincwabe	:
PR	Cllr. Z.A. Thusi	:
PR	Cllr. N.H. Hlophe	:
PR	Cllr. T.L. Gabela	:
PR	Cllr. N.L. Shabangu	:
W1	Cllr. M.P. Dlamini	:
W2	Cllr. P.M. Dladla	:
W3	Cllr. S.S. Mbhele	:
W4	Cllr. G.S. Maseko	:
W5	Cllr. G.H. Ngcobo	:
W6	Cllr. S.R.G. Gumede	:
W7	Cllr. S.M. Mbatha-Ntuli	:
W8	Cllr. B.M. Gwala	:
W9	Cllr. E.B. Mbongwe	:
W10	Cllr. M.J. Mkhize	:
W11	Cllr. A.T. Thusi	:
W12	Cllr. S.A. Duma	:
W13	Cllr. M. Goba	:

**MAYOR** : **Councillor B.M. Gwala**

**DEPUTY MAYOR** : **Councillor S.S. Zondi**

## APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on pages 18 to 42 were approved by the Municipal Manager on 29 August 2014 and presented to and approved by Council on 29 August 2014.

**ACTING MUNICIPAL MANAGER**

(Accounting Officer)  
29 August 2014

**CHIEF FINANCIAL OFFICER**

29 August 2014



## 1. BASIS OF PRESENTATION

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).  
The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue
GRAP 12	Inventories
GRAP 13	Leases
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset
GRAP 25	Employee Benefits

GRAP statements 4, 6, 7, 8, 10, 11, 14, 16, 100, 101 and 102 have not been implemented since they do not affect the operations of the municipality. GRAP statement 18 is currently not being applied since no effective date has yet been determined.

GRAP statements 21, 23, 24, 26, 103 and 104 have been effective from 1 April 2012 and thereafter. GRAP 103 has not been implemented by the municipality since it does not have any Heritage assets.

The effective dates for the GRAP statements 105, 106 and 107 have still not been determined. The statements that affect the municipality will be applied once the effective dates are determined and the impact of the application of the statements is not known and cannot be reasonably estimated.

Details of related party transactions are disclosed as per paragraph 27 of IPSAS 20.

These accounting policies are consistent with those of the previous financial year.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.

The principal accounting policies adopted in the preparation of these annual financial statements, have been consistently applied. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

## **2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand

## **3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

## **4. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

## **5. RESERVES**

### **5.1 Revaluation Reserve**

A revaluation reserve is created in the event where the values of items of property, plant and equipment are valued up. The increased amount of revaluation is credited to the revaluation reserve. Any subsequent revaluations of items of property, plant and equipment is charged against this revaluation reserve.

## **6. ASSETS**

### **6.1 PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value. If the cost cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.



Assets under construction are recognised as such and capitalized at the cost incurred as at year end. Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired. Refer to paragraph 14.1.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	YEAR	OTHER	YEARS
<b>Infrastructure</b>			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Air Conditioners	5
Electricity	20	Other Vehicles	5
Housing	30	Office equipment	5
Street Lights	25	Furniture and Fitting	10
		Radios	5
<b>Community</b>		Other items of plant and equipment	3
Buildings	30	Computers and Computer Software	5
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged against the Revaluation reserve.

Depreciation on assets under construction during the year is only provided for once the asset is brought into use.

## 6.2 INTANGIBLE ASSETS

Computer Software is identified as Intangible Assets and is disclosed as such in the financial statements. The intangible asset is amortised over its useful life. Intangible assets are disclosed at cost less amortization in the financial statements.

## 7. FINANCIAL INSTRUMENTS

The fair value of financial instruments, which include fixed deposits and short-term deposits invested in registered banks, are valued at cost, including interest capitalized, at the end of the reporting period.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying value of trade receivables and payables are assumed to approximate their fair values. Trade receivables (debtors) have not been discounted as required by IAS 39 since the bulk of the debtors are rates debtors and arrear accounts are charged interest on the arrear balance on a monthly basis.

### 7.1 ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. The bulk of the outstanding debtors are made up of rates and interest raised on arrear accounts over the years. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. No bad debts were written off during the year. Amounts that are receivable within 12 months from the reporting date are classified as realisable

The impairment for trade receivables is calculated on a portfolio basis and is based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date.

### 7.2 TRADE CREDITORS

Trade creditors are stated at their nominal value.

### 7.3 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

## 8. INVENTORIES

The only inventory held is that of consumable stores. The cost of consumable stores is expensed at the time of purchase.



## 9. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

## 10. REVENUE RECOGNITION

### 10.1 Revenue from exchange transactions

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use.

Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

### 10.2 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councilors or officials is virtually certain.

## 11. CONDITIONAL GRANT AND RECEIPTS

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognized.

## 12. PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

## 13. LEASES

Leases for photocopyers are recognised as operating leases and the contractual lease payments are recognised as expenses over the term of the lease. The hire purchase agreement for the mayor's vehicle is classified as a finance lease and is recognised as an asset in the statement of financial position and the lessor is disclosed as a finance lease obligation.

## 14. IMPAIRMENT OF ASSETS

### 14.1 Cash Generating Assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.



#### Identification

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is charged against the Revaluation Reserve.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.



If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

## Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised against the Revaluation Reserve.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

## Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.



## Non-Cash-Generating Assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

## Identification

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

## Value in use

Value in use of an asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of an asset is determined using the following approaches:

## Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement as the gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the



asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

## 15. EMPLOYEE BENEFITS

### 15.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected



cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

## 15.2 Post-employment benefits: Defined contribution plans

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

## 16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003), Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial



Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 19. COMPARATIVE INFORMATION

### 19.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

### 19.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

## 20. RELATED PARTIES

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favorable than the terms it would use to conclude transactions with another entity or person are disclosed.

UMSHWATHI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

Note

2014  
R

2013  
R

ASSETS

Non - current assets	Property , plant and equipment	6	135,174,827	117,332,719
	Intangible Assets	7	135,174,827	117,332,719
			0	0
Current assets	Receivables: Non-Exchange Transactions	8	73,089,576	54,532,677
	Receivables: Exchange Transactions	8	33,362,621	26,078,523
	Other debtors	11	27,942,052	18,099,019
	Value added tax	5	3,789,134	1,573,101
	Call investment deposits	10	4,746,605	5,472,448
	Bank balances and cash	11/21	722,926	432,454
Total Assets			208,264,403	171,865,396
Non - current liabilities	Long term liabilities	2	15,025,316	17,680,257
	Finance Lease Obligation	2	14,730,238	17,294,978
			295,078	385,279
Current liabilities	Creditors	3	11,042,583	7,941,454
	Current portion of Finance Lease Obligation	2	8,610,930	3,348,612
	Unspent conditional grants and receipts	4	119,460	128,426
	Current portion of long term liabilities	2	2,312,193	4,464,416
Total Liabilities			26,067,899	25,621,711
Net Assets			182,196,504	146,243,685
NET ASSETS			182,196,504	146,243,685
Net assets	Housing Development Fund	1	182,196,504	146,243,685
	Revaluation Reserve		2,818,678	2,823,670
	Accumulated surplus		4,614,902	4,614,902
			174,762,924	138,805,113
			182,196,504	146,243,685

UMSHWATHI LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2014

BUDGET		REVENUE		Note	ACTUAL	
2013	2014	2014	2013			
Revenue from Non-Exchange Transactions						
15,230,000	23,300,000	Property rates	12	23,899,302	15,562,302	
800,000	1,000,000	Property rates - penalties imposed and collection charges		1,325,643	1,048,502	
800,000	800,000	Interest earned - external investments		846,781	795,711	
7,000,000	7,500,000	Interest earned - outstanding debtors		8,179,537	7,563,583	
101,000	51,000	Fines		42,084	46,910	
58,403,000	65,740,000	Government grants and subsidies	14	65,775,000	58,061,000	
82,334,000	120,767,000	Capital Funding		18,888,000	18,404,000	
Revenue from Exchange Transactions						
1,700,000	1,800,000	Service charges	13	1,801,290	1,649,791	
145,000	200,000	Rental of facilities and equipment		199,718	172,800	
1,900,000	2,150,000	Income for agency services		2,362,036	2,225,764	
640,500	134,000	Other income	15	367,633	333,255	
4,385,500	4,284,000	Sale of Assets		0	0	
86,719,500	125,051,000	Total Revenue		123,687,024	105,863,617	
EXPENDITURE						
31,299,500	37,125,000	Employee related costs	16	37,642,745	29,692,079	
7,766,000	8,259,000	Remuneration of Councillors	17	7,366,082	6,296,071	
100,000	100,000	Bad debts				
100,000	100,000	Collection costs		112,658	0	
5,500,000	8,850,000	Amortisation of Intangible Assets		0	0	
6,208,000	9,333,000	Repairs and maintenance		6,702,736	5,371,040	
2,500,000	2,750,000	Interest paid	18	1,838,540	3,851,107	
75,000	100,000	Contracted services		27,946	153,131	
22,316,000	25,016,000	General expenses	23.7	26,222,453	22,775,771	
1,200,000	200,000	Contribution to Reserves/Provisions		112,271	928,771	
9,755,000	33,318,000	Contribution to Capital		0	0	
86,719,500	125,051,000	Total Expenditure		86,971,990	71,249,448	
-	-	Surplus/(Deficit) for the year		36,715,034	34,614,169	

Refer to Appendix E.1 for explanation of variances

Refer to Appendix E, 1 for explanation of variances



UMSHWATHI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Housing Development Fund	Revaluation Reserve	Accumulated Surplus	Total
	R	R	R	R
<b>Balance as per 30 June 2012</b>	2,879,277.00	4,614,902.00	103,972,629	111,466,808
Surplus (deficit) for the year	(55,607)	-	34,614,165	34,558,558
Prior Year Adjustment	-	-	218,314	218,314
<b>Original Balance as at 30 June 2013</b>	<b>2,823,670</b>	<b>4,614,902</b>	<b>138,805,109</b>	<b>146,243,681</b>
Adjustment for Prior Year Adjustments	-	-	-	-
<b>Restated Balance as at 30 June 2013</b>	<b>2,823,670</b>	<b>4,614,902</b>	<b>138,805,109</b>	<b>146,243,681</b>
Surplus (deficit) for the year	(4,992)	-	36,715,041	36,710,049
Provision for Long Service Award	-	-	(757,226)	(757,226)
Old Suspense accounts reverse to Revenue	-	-	-	-
<b>Balance as at 30 June 2014</b>	<b>2,818,678</b>	<b>4,614,902</b>	<b>174,762,924</b>	<b>182,196,504</b>

	2014	2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Receipts</b>		
Sales of Goods and Services	26,574,912	15,023,080
Grants	65,775,000	57,942,857
Interest Received	846,781	795,711
Other Receipts	18,888,000	18,404,000
<b>Payments</b>		
Employee Costs	45,008,827	35,988,150
Suppliers	35,148,156	30,522,287
Interest Paid	1,838,540	2,134,019
Other Payments	0	0
	<b>81,995,523</b>	<b>68,644,456</b>
	<b>30,089,170</b>	<b>23,521,192</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>(23,819,000)</b>	<b>(22,417,558)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(24,544,844)	(25,569,099)
Proceeds on disposal of property, plant and equipment	-	-
Proceeds from investments	725,844	3,151,541
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(23,819,000)</b>	<b>(22,417,558)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of external loans	(5,837,090)	(1,120,127)
Repayment of finance lease obligations	(142,610)	(142,610)
Increase (decrease) in short term loans	(5,979,700)	(1,262,737)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(5,979,700)</b>	<b>(1,262,737)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>290,470</b>	<b>(159,103)</b>
Cash and cash equivalents at the beginning of the year	432,453	591,556
Cash and cash equivalents at the end of the year	<b>722,925</b>	<b>432,453</b>
	<b>290,470</b>	<b>(159,102)</b>



2014  
2013  
R  
R

1 HOUSING DEVELOPMENT FUND

Housing Development Fund	2,818,678	2,823,670
Unappropriated Surplus	2,818,678	2,823,670
Loans extinguished by Government on 1 April 1998		
The Housing Development Fund is represented by the following assets and liabilities		
Housing rental and instalment debtors	1,824,757	1,824,757
Debtors - Department of Housing	165,332	165,332
Bank and cash	727,612	833,582
Sub - total	2,818,678	2,823,670
Creditors		
Total Housing Development Fund Assets and Liabilities	2,818,678	2,823,670

2 LONG TERM LIABILITIES

Capitalised lease liability	21,759,394	17,042,431
External loans		
Less current portion transferred to current liabilities	-2,312,193	-4,464,416
	14,730,238	17,294,978

External loans are made up of loans from the Development Bank of SA and First National Bank as detailed in Appendix A

<b>Finance Lease Obligation</b>	157,344	314,772
Minimum Lease Payment Due		
- within 1 year	157,344	157,344
- within 2nd and 3rd year inclusive		472,257
Less future finance costs	472,116	628,676
	(57,578)	(115,971)
	414,538	513,705

<b>Net Long Term Liabilities</b>	14,730,238	17,294,978
External Loans		
Finance Lease Obligation	295,078	385,279
	15,025,316	17,680,257

The lease term is 5 years. The finance charges is recognised as an expense in the statement of financial performance. The leased asset, the Jeep Grand Cherokee, is included in Property Plant and equipment in Note 6

3 CREDITORS

Trade creditors	3,755,934	1,362,049
Staff leave	2,402,894	1,619,477
VAT provision	186,339	159,356
Provision for Long Service Award	757,226	0
Retention payable	0	0
National Lottery	144,979	163,557
Deposits other	0	0
Other creditors	1,363,559	44,173
Prior Year Adjustment	8,610,930	3,348,613

4 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

4.1 Conditional grants from other spheres of government	0	0
Total conditional grants and receipts	0	-

<b>MIG</b>		
Opening Balance	0	0
Received During the year	13,888,000	18,404,000
Expended During the year	-13,888,000	-18,404,000
Closing Balance	0	0
<b>FMG</b>		
Opening Balance	0	0
Received During the year	1,650,000	1,500,000
Expended During the year	-1,650,000	-1,500,000
Closing Balance	0	0
<b>MSIG</b>		
Opening Balance	0	0
Received During the year	890,000	800,000
Expended During the year	-890,000	-800,000
Closing Balance	0	0
<b>DoE Funding</b>		

	2014	2013
	R	R
Opening Balance	5,000,000	0
Received During the year	5,000,000	0
Expended During the year	-5,000,000	0
Closing Balance	0	0
General Grant	0	58,025
Opening Balance	0	0
Received During the year	0	0
Expended During the year	0	-58,025
Closing Balance	0	0
Housing Plan	0	60,118
Opening Balance	0	0
Received During the year	0	0
Expended During the year	0	-60,118
Closing Balance	0	0
VAT refundable	3,789,134	1,573,101
VAT is payable on the receipts basis	1,573,101	3,789,134



Carrying value at 1 July 2013	63,232,857	80,308,741	4,043,621	6,707,696	864,267	155,157,183
Cost						
Revaluation	5,563,446	600,029	(665,622)	-	0	5,497,853
Accumulated depreciation	(8,170,559)	(30,956,375)	(2,324,243)	(2,021,068)	-733,023	(44,205,269)
- Cost						
- Revaluation	(1,241,195)	1,884,833	239,313	-	0	882,951
Acquisitions	59,384,549	51,837,228	1,293,069	4,686,628	131,244	117,332,719
Disposal: Cost						
Disposal: Depreciation	(2,233,498)	(3,059,934)	-	(879,858)	(529,446)	(6,702,736)
- based on cost						
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						
Accumulated depreciation						
Carrying value at 30 JUNE 2014	63,408,504	102,685,051	5,836,560	6,707,696	1,064,215	179,779,027
Cost						
Revaluation	5,563,446	600,029	(665,622)	-	0	5,497,853
Accumulated depreciation	(8,170,559)	(30,956,375)	(2,324,243)	(2,021,068)	-733,023	(44,205,269)
- Cost						
- Revaluation	(1,241,195)	1,884,833	239,313	-	0	882,951
Acquisitions	59,384,549	51,837,228	1,293,069	4,686,628	131,244	117,332,719
Capital under construction	175,647	10,225,667	1,792,939	4,686,628	199,948	12,384,201
Disposal: Cost						
Disposal: Depreciation						
- based on cost						
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						
Accumulated depreciation						
Carrying value at 30 JUNE 2012	53,801,179	69,416,980	3,343,417	2,194,717	831,792	129,588,085
Cost						
Revaluation	5,563,446	600,029	(665,622)	-	0	5,497,853
Accumulated depreciation	(6,261,184)	(28,418,104)	(2,094,080)	(1,400,088)	-660,773	(38,884,229)
- Cost						
- Revaluation	(1,241,195)	1,884,833	239,313	-	0	882,951
Acquisitions	51,862,246	43,483,738	823,028	794,629	171,019	97,134,660
Capital under construction	9,202,687	9,225,487	700,204	4,512,979	32,475	71,40,925
Revaluation: Cost						
Revaluation: Depreciation						
Depreciation	(1,909,375)	(2,538,271)	(230,163)	(620,980)	-72,250	(5,371,040)
- based on cost						
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						
Accumulated depreciation						
Carrying value at 30 JUNE 2013	63,232,857	80,308,741	4,043,621	6,707,696	864,267	155,157,183
Cost						
Revaluation	5,563,446	600,029	(665,622)	-	0	5,497,853
Accumulated depreciation	(8,170,559)	(30,956,375)	(2,324,243)	(2,021,068)	-733,023	(44,205,269)
- Cost						
- Revaluation	(1,241,195)	1,884,833	239,313	-	0	882,951
Acquisitions	59,384,549	51,837,228	1,293,069	4,686,628	131,244	117,332,719
Disposal: Cost						
Disposal: Depreciation						
- based on cost						
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						
Accumulated depreciation						
Carrying value at 1 July 2012	53,801,179	69,416,980	3,343,417	2,194,717	831,792	129,588,085
Cost						
Revaluation	5,563,446	600,029	(665,622)	-	0	5,497,853
Accumulated depreciation	(6,261,184)	(28,418,104)	(2,094,080)	(1,400,088)	-660,773	(38,884,229)
- Cost						
- Revaluation	(1,241,195)	1,884,833	239,313	-	0	882,951
Acquisitions	51,862,246	43,483,738	823,028	794,629	171,019	97,134,660
Capital under construction	9,202,687	9,225,487	700,204	4,512,979	32,475	71,40,925
Revaluation: Cost						
Revaluation: Depreciation						
Depreciation	(1,909,375)	(2,538,271)	(230,163)	(620,980)	-72,250	(5,371,040)
- based on cost						
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						
Accumulated depreciation						
Carrying value at 30 JUNE 2013	63,232,857	80,308,741	4,043,621	6,707,696	864,267	155,157,183
Cost						
Revaluation	5,563,446	600,029	(665,622)	-	0	5,497,853
Accumulated depreciation	(8,170,559)	(30,956,375)	(2,324,243)	(2,021,068)	-733,023	(44,205,269)
- Cost						
- Revaluation	(1,241,195)	1,884,833	239,313	-	0	882,951
Acquisitions	59,384,549	51,837,228	1,293,069	4,686,628	131,244	117,332,719
Disposal: Cost						
Disposal: Depreciation						
- based on cost						
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						
Accumulated depreciation						
Carrying value at 30 JUNE 2012	53,801,179	69,416,980	3,343,417	2,194,717	831,792	129,588,085
Cost						
Revaluation	5,563,446	600,029	(665,622)	-	0	5,497,853
Accumulated depreciation	(6,261,184)	(28,418,104)	(2,094,080)	(1,400,088)	-660,773	(38,884,229)
- Cost						
- Revaluation	(1,241,195)	1,884,833	239,313	-	0	882,951
Acquisitions	51,862,246	43,483,738	823,028	794,629	171,019	97,134,660
Capital under construction	9,202,687	9,225,487	700,204	4,512,979	32,475	71,40,925
Revaluation: Cost						
Revaluation: Depreciation						
Depreciation	(1,909,375)	(2,538,271)	(230,163)	(620,980)	-72,250	(5,371,040)
- based on cost						
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						
Accumulated depreciation						
Carrying value at 30 JUNE 2013	63,232,857	80,308,741	4,043,621	6,707,696	864,267	155,157,183
Cost						
Revaluation	5,563,446	600,029	(665,622)	-	0	5,497,853
Accumulated depreciation	(8,170,559)	(30,956,375)	(2,324,243)	(2,021,068)	-733,023	(44,205,269)
- Cost						
- Revaluation	(1,241,195)	1,884,833	239,313	-	0	882,951
Acquisitions	59,384,549	51,837,228	1,293,069	4,686,628	131,244	117,332,719
Disposal: Cost						
Disposal: Depreciation						
- based on cost						
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						
Accumulated depreciation						
Carrying value at 30 JUNE 2012	53,801,179	69,416,980	3,343,417	2,194,717	831,792	129,588,085
Cost						
Revaluation	5,563,446	600,029	(665,622)	-	0	5,497,853
Accumulated depreciation	(6,261,184)	(28,418,104)	(2,094,080)	(1,400,088)	-660,773	(38,884,229)
- Cost						
- Revaluation	(1,241,195)	1,884,833	239,313	-	0	882,951
Acquisitions	51,862,246	43,483,738	823,028	794,629	171,019	97,134,660
Capital under construction	9,202,687	9,225,487	700,204	4,512,979	32,475	71,40,925
Revaluation: Cost						
Revaluation: Depreciation						
Depreciation	(1,909,375)	(2,538,271)	(230,163)	(620,980)	-72,250	(5,371,040)
- based on cost						
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						
Accumulated depreciation						
Carrying value at 30 JUNE 2012	53,801,179	69,416,980	3,343,417	2,194,717	831,792	129,588,085
Cost						
Revaluation	5,563,446	600,029	(665,622)	-	0	5,497,853
Accumulated depreciation	(6,261,184)	(28,418,104)	(2,094,080)	(1,400,088)	-660,773	(38,884,229)
- Cost						
- Revaluation	(1,241,195)	1,884,833	239,313	-	0	882,951
Acquisitions	51,862,246	43,483,738	823,028	794,629	171,019	97,134,660
Capital under construction	9,202,687	9,225,487	700,204	4,512,979	32,475	71,40,925
Revaluation: Cost						
Revaluation: Depreciation						
Depreciation	(1,909,375)	(2,538,271)	(230,163)	(620,980)	-72,250	(5,371,040)
- based on cost						
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						
Accumulated depreciation						
Carrying value at 30 JUNE 2012	53,801,179	69,416,980	3,343,417	2,194,717	831,792	129,588,085
Cost						
Revaluation	5,563,446	600,029	(665,622)	-	0	5,497,853
Accumulated depreciation	(6,261,184)	(28,418,104)	(2,094,080)	(1,400,088)	-660,773	(38,884,229)
- Cost						
- Revaluation	(1,241,195)	1,884,833	239,313	-	0	882,951
Acquisitions	51,862,246	43,483,738	823,028	794,629	171,019	97,134,660
Capital under construction	9,202,687	9,225,487	700,204	4,512,979	32,475	71,40,925
Revaluation: Cost						
Revaluation: Depreciation						
Depreciation	(1,909,375)	(2,538,271)	(230,163)	(620,980)	-72,250	(5,371,040)
- based on cost						
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						
Accumulated depreciation						
Carrying value at 30 JUNE 2012	53,801,179	69,416,980	3,343,417	2,194,717	831,792	129,588,085
Cost						
Revaluation	5,563,446	600,029	(665,622)	-	0	5,497,853
Accumulated depreciation	(6,261,184)	(28,418,104)	(2,094,080)	(1,400,088)	-660,773	(38,884,229)
- Cost						
- Revaluation	(1,241,195)	1,884,833	239,313	-	0	882,951
Acquisitions	51,862,246	43,483,738	823,028	794,629	171,019	97,134,660
Capital under construction	9,202,687	9,225,487	700,204	4,512,979	32,475	71,40,925
Revaluation: Cost						
Revaluation: Depreciation						
Depreciation	(1,909,375)	(2,538,271)	(230,163)	(620,980)	-72,250	(5,371,040)
- based on cost						
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						
Accumulated depreciation						
Carrying value at 30 JUNE 2012	53,801,179	69,416,980	3,343,417	2,194,717	831,792	129,588,085
Cost						
Revaluation	5,563,446	600,029	(665,622)	-	0	5,497,853
Accumulated depreciation	(6,261,184)	(28,418,104)	(2,094,080)	(1,400,088)	-660,773	(38,884,229)
- Cost						
- Revaluation	(1,241,195)	1,884,833	239,313	-	0	882,951
Acquisitions	51,862,246	43,483,738	823,028	794,629	171,019	97,134,660
Capital under construction	9,202,687	9,225,487	700,204	4,512,979	32,475	71,40,925
Revaluation: Cost						
Revaluation: Depreciation						
Depreciation	(1,909,375)	(2,538,271)	(230,163)	(620,980)	-72,250	(5,371,040)
- based on cost						
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						
Accumulated depreciation						
Carrying value at 30 JUNE 2012	53,801,179	69,416,980	3,343,417	2,194,717	831,792	129,588,085
Cost						
Revaluation	5,563,446	600,029	(665,622)	-	0	5,497,853
Accumulated depreciation	(6,261,184)	(28,418,104)	(2,094,080)	(1,400,088)	-660,773	(38,884,229)
- Cost						
- Revaluation	(1,241,195)	1,884,833	239,313	-	0	882,951
Acquisitions	51,862,246	43,483,738	823,028	794,629	171,019	97,134,660
Capital under construction	9,202,687	9,225,487	700,204	4,512,979	32,475	71,40,925
Revaluation: Cost						
Revaluation: Depreciation						
Depreciation	(1,909,375					

Refer to Appendix B for more detail on property, plant and equipment

Assets Under Construction:

	2014	2013
	R	R
	598,650	0
	692,724	0
	31,132	0
	3,064,503	0
	219,166	0
	132,646	0
	124,200	0
	17,640	0
	1,235,919	0
	12,150,643	18,428,174

UMSHWATHI LOCAL MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Okhahlweni Road  
Cool Air Bus Route  
High Mast Lighting  
Mbava Electrification  
Community Hall Ward 5  
Skandini Sports Field  
Nkwalini Sports Field  
New Hanover Sports Field  
Masijabule Sports Field



## 8 CONSUMER DEBTORS

The software and network is being amortised over 5 years being its useful life

Carrying Amount	0	0
Amortisation	-321,844	-321,844
Cost	321,844	321,844

## Balances at 30 June 2014

[illegible]

## Receivables from Non-Fx

Receivables from Non-Exchange Transactions	Current 0 - 30	31 - 60 days	61 to 90 days	91 to 120 days	121 days and over
Rates	3,268,155	1,765,923	1,809,996	1,567,707	24,950,840
Receivables from Exchange Transactions	694,693	1,626,144	1,061,141	1,034,634	34,912,718
Refuse Services and other					33,529,330
					72,891,951
Receivables from Non-Exchange Transactions					
Rates					
Receivables from Exchange Transactions					
Service debtors					
Housing					
Other					
Receivables from Non-Exchange Transactions					
Rates					
Total					

Basellulose GmbH

Receivables from Non-Exchange Transactions	2,569,282	1,610,644	1,300,983	1,150,293	19,447,321	26,078,523
Rates						
Receivables from Exchange Transactions	697,559	926,878	893,125	856,339	27,748,104	31,122,005
Refuse Services and other						
						57,200,528

The carrying value of debtors is assumed to be approximately its fair value since interest is charged on accounts once gone into arrears. An estimate is made of doubtful debts based on a review of all outstanding debtors at year end. The current provision is considered adequate since the bulk of the debtors are sales debtors and Government Departments. Debtors have not been discounted since interest is charged on arrears balances on a monthly basis.

## 9 OTHER DEBTORS

Thokazane Municipality	404,244	2,526,238	2,877,130
District Municipality	404,244	-	-
Thokazane housing	1,438,744	2,526,238	2,877,130
Department of Housing	165,332	26,022	259,356
Unallocated Receipts	45,414	448,482	560,275
Accrued Interest	49,180	-	-
Other	-	-	-
Total other debtors	-	-	-
less: Provision for doubtful debts	-	-	-

## 10 CALL INVESTMENT DEPOSITS

32 day/90 day deposits	4,746,605	5,472,448
	4,746,605	5,472,448

2014 R  
2013 R

Investments are 32 day and for 90 day money market accounts. A call account is also held in which the equitable share is transferred when received. Funds are transferred from the call account as and when required.

Bank	Account No.	Amount
Standard	0536 -1443-4-14	13,839
Nedbank		
Investment 1	1401827	14,562
Investment 2	0635053	15,852
Investment 3	1679521	81,256
FNB		
Investment 1	62101572081	826,878
Investment 2	62101572172	11,072
Call Account	62101571710	232,750
Call Account: Housing	62214429799	63,854
ABSA *		
Investment 1	20- 66260264	3,390,420
		5,472,448

\* The ABSA investment is ceded to DBSA as security for the loan taken from the DBSA. (Refer to Appendix "A").

# 11 BANK BALANCES AND CASH

The Municipality has the following bank accounts:

Current account (Primary bank account)

First National Bank -

Account number - 62025429232

Cash book balance at beginning of year ( overdrawn )

Cash book balance at end of year

Bank statement balance at beginning of year

Bank statement balance at end of year

430,109	720,580
589,210	430,109
485,147	380,093
380,093	661,347



12 REVENUE FROM NON EXCHANGE TRANSACTIONS - PROPERTY RATES

	2014	2013
Actual		
Agricultural	7,405,530	4,822,195
Residential	5,901,241	3,842,660
Commercial	2,718,569	1,770,240
Public service infrastructure	6,504,098	4,235,217
State	1,369,845	891,990
Other		
Total assessment rates	23,899,302	15,562,302
Gross Rates	70,561,738	63,586,624
Rebates	(46,662,436)	(48,033,322)
Net Rates	23,899,302	15,562,302
Valuations as at 01 July 2012		
Agricultural	2,522,223,000	2,522,223,000
Residential	888,496,000	888,496,000
Commercial	261,436,000	261,436,000
Public service infrastructure	1,128,196,000	1,128,196,000
State	155,243,000	155,243,000
Other	82,963,000	82,963,000
Total property valuations	5,038,557,000	5,038,557,000

13 REVENUE FROM EXCHANGE TRANSACTIONS - SERVICE CHARGES

Refuse removal	1,801,290	1,649,791
	1,801,290	1,649,791

14 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	61,423,000	55,307,000
Conditional grants utilised	23,240,000	21,158,000
	23,240,000	21,158,000
MIG	13,888,000	18,404,000
MSIG	890,000	800,000
FMG	1,650,000	1,500,000
Provincial Grant: Finance	35,000	-
Department of Public Works: EPWP	1,000,000	-
Department of Energy	5,000,000	-
Department of Arts and Culture	777,000	454,000
Refer Appendix F	23,240,000	21,158,000

15 OTHER INCOME

Fees: Photocopies	8,376	19,350
Fees: Rates Clearance	18,246	12,193
Library Fines	0	840
Interest: Current Account	39,736	13,822
Fees	8,473	7,677
Community Hall	39,504	32,656
Maintenance	195,252	192,292
Cemetery	4,970	6,109
Postal Service	53,075	48,316
	367,633	333,255

2014  
2013

16 EMPLOYEE RELATED COSTS

27,272,404	27,716,065	21,272,404
5,195,617	5,195,617	4,533,611
1,960,556	1,960,556	1,447,575
91,860	91,860	114,728
719,105	719,105	713,728
1,184,223	1,184,223	1,147,832
775,319	775,319	462,200
37,642,745	37,642,745	29,692,079
37,642,745	37,642,745	29,692,079

Employee related costs - salaries and wages  
Employee related costs - contributions to UIF, pension and medical costs  
Travel, vehicle, accommodation, subsistence and other allowances  
Housing benefits and allowances  
Overtime payments  
Bonus  
Skills Levy/Protective Clothing/Bargaining Council  
Sub-total  
Less: Employee costs allocated to Property, Plant and Equipment  
Less: Employee costs included in other expenses  
Total employee related costs

There were no loans to employees.

Included in Employee Related costs:

Remuneration of the Municipal Manager  
Remuneration - 4 months  
Car allowance - 4 months  
Contributions to Medical and Pension Funds and UIF

Remuneration of the Chief Financial Officer  
Annual remuneration  
Acting Allowance (Acting as MM for 7 months)  
Bonus  
Car allowance  
Contributions to Medical and Pension Funds

Remuneration of other managers  
30-Jun-2014

Annual remuneration  
Acting Allowance (Acting as MM for 1 month)  
Bonus  
Car allowance  
Contributions to Medical and Pension Funds

30-Jun-2013  
Annual remuneration  
Bonus  
Car allowance  
Contributions to Medical and Pension Funds

17 REMUNERATION OF COUNCILLORS

Mayor  
Deputy Mayor  
Speaker  
Executive committee members  
Councillors

Being a full time councillor the Mayor has the use of an office and a mayoral vehicle for official duties

Technical Services	538,000	538,000	538,000
Corporate Services	560,000	560,000	560,000
Community Services	12,500	12,500	12,500
	0	0	0
	162,000	162,000	162,000
	0	0	0
	79,655	79,655	79,655
	44,332	44,332	44,332
	592,781	592,781	592,781
	0	0	0
	523,462	523,462	523,462
	13,250	13,250	13,250
	455,544	455,544	455,544
	630,734	630,734	630,734
	563,129	563,129	563,129
	362,329	362,329	362,329
	901,416	901,416	901,416
	4,639,713	4,639,713	4,639,713
	7,366,082	7,366,082	7,366,082
	6,296,071	6,296,071	6,296,071



	2014	2013
R		
1,794,676	2,134,019	
43,865	47,460	
1,838,541	2,181,479	

18 INTEREST PAID

Operating Leases - Rental: Copiers

The municipality has recognised the leases on photocopiers as operating leases and recognised the contractual payments as expenses.

	2014	2013
157,344	321,902	
314,772	201,240	

Operating Lease Commitments:  
- within 1 year  
- within 2nd and 5th year inclusive

19 PRIOR PERIOD ERRORS

20 CASH GENERATED BY OPERATIONS

Surplus (deficit) for the year

Deficit - Housing operating account

Adjustment for:

Prior year

Depreciation

Reversal of Water Debtors

Contributions to provisions - non-current

Contributions to provisions - current

Contributions to bad debt provision

Investment income

Interest paid

Operating deficit before working capital changes  
Change in Working Capital

36,715,034	34,614,169	
6,702,736	5,371,040	
112,271	0	
-846,781	-795,711	
1,838,540	2,181,478	
44,521,800	41,370,977	
-16,212,996	-17,877,906	
28,308,804	23,493,071	

21 BANK BALANCES AND CASH

Cash and cash equivalents included in the cash flow statement comprise the following amounts:

Cash on Hand  
Bank balances and cash

2,346	430,109	
720,580	432,454	
722,926		

22 RELATED PARTY TRANSACTIONS

23.1 There were no related party transactions in the current year.

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

23.1 Contributions to organised local government

Opening balance	2014	2013
Council contributions	0	0
Amount paid - current year	0	0
Amount paid - previous years	0	0
Balance unpaid (included in creditors)	0	0

23.2 Audit fees

Amount paid current year	932,774	590,860
--------------------------	---------	---------

23.3 VAT

Opening balance	1,731,840	359,359
Current year output VAT	-668,981	
Current year input VAT	4,348,725	5,016,342
Amount paid - current year	-1,594,199	-2,974,881
Amount paid - current year	3,708,761	1,731,840

Amount due from SARS - included in debtors  
Amount refunded by SARS - current year  
Amount paid - current year

23.4 PAYE and UIF

Current year payroll deductions and Council UIF contributions	5,241,045	4,131,434
Amount paid - current year	5,241,045	4,131,434

23.5 Pension and medical aid deductions

Current year payroll deductions and Council contributions	3,957,134	4,356,797
Amount paid - current year	3,957,134	4,356,797

23.6 Councilors arrear consumer accounts

No Councilors had arrear accounts outstanding for more than 90 days as at :

30 June 2013	30 June 2014
Total	Total
Outstanding less than 90 days	Outstanding less than 90 days
Outstanding more than 90 days	Outstanding more than 90 days

2014  
2013

23.7 General Expenses: Detail

Advertisements	315,850	290,179
Arts and Culture	111,286	74,242
Audit Fee: External	932,774	590,860
Bank Charges	72,890	68,925
Bursaries	190,401	103,114
Chemicals and Oil Dispersants	1,312	0
Chemicals	187,657	593,774
Communication: Budget Process	267,680	498,907
Conferences & Seminars	14,050	3,290
Crime Prevention	387,799	593,026
EAP	1,209,205	1,231,448
FBS & FBE	526,270	98,467
HIV/AIDS	526,270	98,467
Hospitality/Mayor's Outreach Program	16,930	135,812
IDP Review	13,500	13,500
Information Technology	199,500	747,157
Insurance	2,596,041	1,853,630
Internal Audit	282,253	444,595
Law Enforcement	478,260	351,484
LED Projects	60,556	52,925
Legal Expenses	895,285	421,886
Medical Supplies	65,465	192,696
Medical	327,648	217,848
Materials	0	35,111
Medical Supplies	73,751	29,180
Medical	53,892	376,412
Medical	157,115	133,390
Plant Hire	363,360	360,000
Postage & Stamps	363,360	360,000
Postage	455,301	354,948
Printing and Stationery	1,095,581	1,095,904
Purchasing: Electricity	162,833	174,872
Refreshments	195,553	718,012
Rental: Copies	5,832	11,720
Rental: Removal	1,634,346	1,224,899
Road Signs	119,376	190,802
Security	70,893	197,078
Senior Citizens	321,715	488,640
Small Scale Disasters	498,089	207,723
Social Empowerment	887,321	820,993
Special Projects	502,007	429,384
Sports Promotion	2,043,539	1,763,970
Subscriptions	11,557	10,052
Substance and Travelling	1,520,393	1,333,472
Sundries	100,725	107,758
Telephones	991,487	540,818
Town Planning	1,955,409	1,487,249
Training	180,663	209,993
Transport/Vehicle Cost	791,182	923,181
Valuation Fees	730,635	282,942
Ward Committees	700	1,947
Workmans Compensation	340,993	122,915
Youth Desk	26,222,453	22,775,771

23.8 Bank Accounts held by the Municipality

Bank	Type	A/C No.	2014	2013
FNB - Primary Bank Account	Chq	62025459232	Opening 380,093	Closing 380,093
Standard Bank	Inv	0536-1443-4-14	13,144	13,144
Nedbank	Inv	1461827	14,562	14,562
Nedbank	Inv	0635053	15,852	15,852
Nedbank	Inv	1679521	81,256	81,256
Nedbank	Inv	408,250	82,026	406,250
Nedbank	Inv	102,935	626,878	1,586,324
FNB	Inv	232,750	3,783,291	10,962
FNB	Inv	61,907	63,854	60,118
FNB	Inv	3,221,173	3,390,420	3,063,302
FNB	Inv	62214429799	61,907	61,907
FNB	Inv	621015171710	1,647,222	1,647,222
FNB	Inv	621015172172	11,072	11,072
FNB	Inv	621015172081	408,250	406,250
ABSA	Inv	20-6626-0264	3,221,173	3,221,173



2014  
2013

## 24 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:  
- approved and contracted for  
Infrastructure  
Community  
This expenditure will be financed from  
- capital replacement reserve  
- government grants  
Revenue

7,796,522	7,796,522
0	0
7,796,522	7,796,522

- approved but not yet contracted for  
Infrastructure  
Land and buildings  
Community  
Plant  
Vehicles  
Furniture and Equipment  
This expenditure will be financed from  
- capital replacement reserve  
- government grants  
Revenue

10,103,478	8,618,000
3,300,000	1,000,000
1,000,000	1,700,000
800,000	22,296,000
25,521,478	33,318,000
22,296,000	11,022,000
33,318,000	33,318,000

## 25 RETIREMENT BENEFIT INFORMATION

Certain Councilors and Certain employees belong to defined benefit plan of the Natal Joint Superannuation and Retirement funds, and the Municipal Councilors' Pension Fund. Employees of UMSHwathi make up less than 1% of the total members of the funds. UMSHwathi's liability in these funds could not be determined owing mainly to the assets not being allocated to each Municipality and one set of financials being prepared for each fund and not per municipality. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2005.

### 25.1 SUPERANNUATION FUND

The actuarial value of total assets was R121,7 million more than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

25.1.1. surplus of R 210 million in respect of pensioners (funding level 119,4%)  
25.1.2. deficit of R 88,3 million in respect of members (funding level 95%)  
25.1.3. the fund was thus 104,3% funded  
25.1.4. the fund did not hold an investment reserve.  
25.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of member's pensionable emoluments  
25.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit. This surcharge will reduce to 4,5 per cent with effect from 1 July 2007.

### 25.2 RETIREMENT FUND

The actuarial value of total assets was R140,9 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

25.2.1. surplus of R63,4 million in respect of pensioners (funding level 116,2%)  
25.2.2. deficit of R204,3 million in respect of members (funding level 73,0%)  
25.2.3. the fund was thus 87,7% funded  
25.2.4. the fund did not hold an investment reserve  
25.2.5. the total contribution rate payable (including the surcharge of 14% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,58% of members pensionable emoluments. This should be sufficient to eliminate the deficit by 2010 provided that salary increases do not exceed CPIX plus 0,5 %.

	2014	2013
	R	R

26 CONTINGENT LIABILITIES

The following cases are still pending involving the municipality:

Siyabonga Protection	
This is for an objection raised by Siyabonga Protection on the award of a security tender.	
The matter will be prescribed in the 2014/15 financial year	60,000

27 RISK MANAGEMENT

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The municipality has developed a comprehensive risk strategy in terms of Treasury Regulation 28.1 in order to monitor and control these risks. Internal Audit function reports quarterly to the Audit Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures. The risk management process relating to each of these risks is discussed under the headings below.

Liquidity risk

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual forecast cash flows and its cash management policy. Adequate reserves and liquid resources are also maintained.

Interest rate risk

As the municipality has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an on-going basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customers, taking into account its financial position, past experience and other factors.

Note 28

IRREGULAR EXPENDITURE

The following is a list of expenditure for which there was a deviation from the normal SCM process in that three quotations or more were not received although three or more quotations were requested.

No.	Req.	Service/Goods	Contract Value	Contract Period	Name of Service Provider	Approval Date	Memo approved Y/N	Reason for deviation
1	18304	Transportation of 20 people	17,200.00	Once off	K.L. Mahuru	02/07/2013	Y	Short notice
2	14245	100 X Traffic Fine Books	11,971.56	Once off	CPW Printer	08/07/2013	Y	Urgent request
3	18382	Catering for 260 Ward Committee	19,500.00	Once off	Zanaveyesa Contr. & Proj.	19/08/2013	Y	Less than three suppliers responded
4	16680	HIV and AIDS Materials	32,765.88	Once off	Chapman Industries	03/12/2013	Y	Short notice
5	17060	Uniform For Traffic Officers	44,574.57	Once off	Sparks and Ellis	10/09/2013	Y	Short notice
6	14681	20x2 Button Remotes and Parking Bay	15,078.21	Once off	Big Eye Investment	18/09/2013	Y	System upgrade
			141,090.22					



-35-

-35-

0

0

**APPENDIX A (Not Audited)**  
**UMSHWATHI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2014**

<b>EXTERNAL LOANS</b>	<b>Loan Number</b>	<b>Interest rate</b>	<b>Redeemable</b>	<b>Balance at 30-Jun-13</b>	<b>Received during the year</b>	<b>Redeemed or written off during the year</b>	<b>Balance at 30-Jun-14</b>
				R	R	R	R
ANNUITY LOAN							
FIRST NATIONAL BANK	2	Prime less 1,00 %	3/31/2018	8,467,825	0	1,908,792	6,559,033
DEVELOPMENT BANK	1	9,4 %		14,411,695	0	3,928,298	10,483,397
<b>TOTAL EXTERNAL LOANS</b>				<b>22,879,520</b>	<b>0</b>	<b>5,837,090</b>	<b>17,042,430</b>

**Note:**

The investment with ABSA Bank (as per note 11) is ceded to DBSA as security for the loan taken.

APPENDIX B (Not Audited)  
UMSHWATHI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2014

	Cost/ Revaluation				Accumulated Depreciation				Carrying Value	Budget Additions 2014	
	Opening Balance	Additions	Under Construction	Disposal	Closing Balance	Opening Balance	Additions	Disposals			Closing Balance
Land and Buildings											
Land	12,857,994				12,857,994	825,953			825,953	12,032,041	800,000
Buildings	54,355,687	4,008,658	1,729,571		60,093,916	8,585,801	2,233,498		10,819,299	49,274,617	11,118,000
	67,213,681	4,008,658	1,729,571		72,951,911	9,411,754	2,233,498	0	11,645,252	61,306,658	11,918,000
Infrastructure											
Electrification reticulation	10,887,545		3,095,635		13,983,180	0			0	13,983,180	0
Sewer reticulation	0				0	0			0	0	0
Construction works	71,603,846	6,392,656	7,325,436		85,321,939	29,071,542	3,059,934		32,131,476	53,190,463	17,900,000
	82,491,391	6,392,656	10,421,071		99,305,118	29,071,542	3,059,934	0	32,131,476	67,173,642	17,900,000
Other Assets											
Office and computer equipment	1,486,181	1,155,815			2,641,996	1,035,284	529,446		1,564,729	1,077,266	600,000
Furniture and fittings	1,752,899	637,125			2,390,024	973,448			973,448	1,416,576	200,000
Tools	71,889				71,889	68,257			68,257	3,632	0
Motor vehicles and major equipment	6,707,696	36,197			6,743,894	2,021,068	879,858		2,900,926	3,842,968	2,200,000
Machinery	654,360	163,751			818,111	524,588			524,588	293,523	500,000
Air conditioners	138,920				138,920	78,658			78,658	60,262	0
Other	138,018				138,018	137,718			137,718	300	0
	10,949,964	1,992,888	0		12,942,851	4,839,021	1,409,303	0	6,248,324	6,694,527	3,500,000
Total	160,655,036	12,394,201	12,150,642		185,199,880	43,322,317	6,702,736	0	50,025,053	135,174,827	33,318,000
Intangible Assets											
Computer Software	321,844				321,844	321,844			321,844		0
Total	160,976,880	12,394,201	12,150,642		185,521,724	43,644,161	6,702,736	0	50,346,897	135,174,827	



APPENDIX C (Not Audited)

UMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2014

	Cost/ Revaluation					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Under Construction	Disposal	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
Executive and Council	25,447,285	1,968,586			27,415,871	1,276,275	1,409,303		2,685,579	24,730,292	
Finance and Admin	18,708,989				18,708,989	5,169,623			5,169,623	13,539,366	
Health	72,820				72,820	72,819			72,819	1	
Community & Social Services	38,112,786	3,833,011	4,825,206		46,771,003	7,763,115	2,233,498		9,996,613	36,774,390	
Public Safety	852,806				852,806	527,040			527,040	325,766	
Waste Management	2,257,827				2,257,827	82,806			82,806	2,175,021	
Road Transport	73,835,955	6,592,605	7,325,436		87,753,996	27,295,971	3,059,934		30,355,905	57,398,091	
Other	1,366,569				1,366,569	1,134,668			1,134,668	231,901	
	160,655,036	12,394,201	12,150,643	0	185,199,880	43,322,317	6,702,736	0	50,025,053	135,174,827	
Intangible Assets	321,844				321,844	321,844			321,844	0	
	160,976,880	12,394,201	12,150,643	0	185,521,724	43,644,161	6,702,736	0	50,346,897	135,174,827	

APPENDIX D (Not Audited)

UMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2014

	2014			2013		
	Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R	Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
Executive and Council	65,991,566	23,112,062	42,879,504	59,321,522	22,177,618	37,143,904
Finance and Admin	34,309,246	31,579,768	2,729,478	23,935,418	26,791,764	(2,856,347)
Health		-	-	-	61,569	(61,569)
Community & Social Services	2,460,620	8,604,160	(6,143,540)	2,313,684	7,156,779	(4,843,095)
Public Safety	41,050	2,087,492	(2,046,442)	46,910	314,844	(267,934)
Waste Management	1,801,290	266,047	1,535,244	1,649,791	1,919,660	(269,869)
Road Transport	19,083,252	21,322,463	(2,239,211)	18,596,292	12,827,214	5,769,079
<b>Sub - total</b>	<b>123,687,025</b>	<b>86,971,992</b>	<b>36,715,034</b>	<b>105,863,617</b>	<b>71,249,449</b>	<b>34,614,169</b>

APPENDIX E (1) (Not Audited)  
UMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET ( REVENUE AND EXPENDITURE ) FOR THE YEAR ENDED 30 JUNE 2014

REVENUE	2014 Actual R	2014 Budget R	2014 Variance R	2014 Variance %	Explanation of significant variances
Property rates	23,899,302	23,300,000	599,302	3	
Property rates - penalties imposed and collection charges	1,325,643	1,000,000	325,643	33	The large increase is due to the increase in rates debtors.
Service charges	1,801,290	1,800,000	1,290	0	
Rental of facilities and equipment	199,718	200,000	(282)	(0)	
Interest earned - external investments	846,781	800,000	46,781	6	
Interest earned - outstanding debtors	8,179,537	7,500,000	679,537	9	The large increase is due to the increase in debtors.
Fines	42,084	51,000	(8,916)	(17)	This is as result of non payment of traffic fines. Initiatives have been taken to recover outstanding fines.
Income for agency services	2,362,036	2,150,000	212,036	10	There is a steady increase in the intake of learner licences.
Government grants and subsidies	65,775,000	65,740,000	35,000	0	
Other income	367,633	134,000	233,633	(174)	There was a major increase in hall hiring, interest on current account, Planning applications and once off service requests
DEE Funding	5,000,000	0	5,000,000	-	
MIG Funds	13,888,000	22,376,000	(8,488,000)	(38)	R 8 488 000.00 was held back by treasury
<b>Total Revenue</b>	<b>123,687,024</b>	<b>#####</b>	<b>(1,363,976)</b>	<b>(1)</b>	
<b>EXPENDITURE</b>					
Employee related costs	2014 Actual R	2014 Budget R	2014 Variance R	2014 Variance %	
	37,642,745	37,125,000	517,745	1	
Remuneration of Councilors	7,366,082	8,259,000	(892,918)	(11)	Although the budget for EXCO members was budgeted for full time they were paid as parttime
Collection costs	112,658	100,000	12,658	13	
Depreciation	6,702,736	8,850,000	(2,147,264)	(24)	The budget for depreciation was over estimated.
Repairs and maintenance	6,946,558	9,333,000	(2,386,442)	(26)	Certain work that was budgeted as maintenance was converted to capital expenditure
Interest paid	1,838,540	2,750,000	(911,460)	(33)	The budget for finance charges was over estimated
Contracted services	27,946	100,000	(72,054)	(72)	Not much use was made of consultants
General expenses	26,222,453	25,016,000	1,206,453	5	Certain expenditure that was budgeted for were not incurred.
Contribution to Reserves	112,271	200,000	(87,729)	(44)	The leave reserve was increased to provide for the maximum leave days staff are allowed to encash.
Capital Contribution	0	33,318,000			
<b>Total Expenditure</b>	<b>86,971,989</b>	<b>#####</b>	<b>(4,761,011)</b>	<b>(4)</b>	
<b>Surplus (Deficit) for the year</b>	<b>36,715,035</b>	<b>-</b>	<b>3,397,035</b>		



APPENDIX E ( 2 ) (Not Audited)

UMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2014

	2014 Actual R	2014 Under Construction R	2014 Total Additions R	2014 Budget R	2014 Variance R	2014 Variance %	Explanation of significant variances
Infrastructure		3,095,635	3,095,635	0	3,095,635		Carry over project from 2013 because funding was only received in the current year
Construction works	6,392,656	7,325,436	13,718,093	11,118,000	2,600,093	23	Certain projects carried over from 2013 were completed in the current year
<b>Community Assets</b>	<b>6,392,656</b>	<b>10,421,071</b>	<b>16,813,728</b>	<b>11,118,000</b>	<b>5,695,728</b>		
Land	0	0	0	800,000	(800,000)		
Buildings	4,008,658	1,729,571	5,738,229	17,900,000	(12,161,771)	(68)	There was a delay in the implementation of some of the projects and a large chunk of our MIG was held back
<b>Other Assets</b>	<b>4,008,658</b>	<b>1,729,571</b>	<b>5,738,229</b>	<b>18,700,000</b>	<b>-12,961,771</b>		
Office and accounting machines	1,155,815	0	1,155,815	600,000	555,815	93	Additional computer equipment was required required for new appointments
Furniture and fittings	637,125	0	637,125	200,000	437,125		New furniture was needed for various offices and the Thusong Centre
Machinery	163,751	0	163,751	500,000	(336,249)	(67)	
Vehicles	36,197	0	36,197	2,200,000	(2,163,803)	(98)	Due to the MIG funds being held back the budget for the vehicles was used to fund some roads projects
	1,992,888	0	1,992,888	3,500,000	(1,507,112)		
<b>Total</b>	<b>12,394,201</b>	<b>12,150,643</b>	<b>24,544,844</b>	<b>33,318,000</b>	<b>(8,773,156)</b>	<b>(26)</b>	

UMSHWATHI LOCAL MUNICIPALITY - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

-42-